

1 HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

2 Minutes of the Board of Trustees

3 Wednesday, November 19, 2003

4
5 TRUSTEES PRESENT

6 Mr. Will Miyake, Chairperson

7 Mr. Bob Awana, Secretary-Treasurer (Left 9:37 am)

8 Mr. Harold DeCosta

9 Mr. Gerald Machida

10 Ms. Katherine Thomason

Mr. Dayton Nakanelua (Arrived 9:30 am)

Mr. John Radcliffe

Mr. Mark Recktenwald

Ms. Kathleen Watanabe

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12 TRUSTEES ABSENT

13 Ms. Joan Lewis, Vice-Chairperson

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15 ATTORNEY

16 Mr. Brian Aburano, Deputy Attorney General

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18 EUTF STAFF

19 Mr. H. Mark Fukuhara, Administrator

20 Mr. Lawrence Nishihara

21 Ms. Maria Quartero

22 Mr. Gary Sanehira

Mr. John Garner, Consultant

Mr. Zaven Nazazian, Consultant

Mr. Richard Easen, Consultant

Mr. Donna Tonaki

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24 OTHERS PRESENT

25 Ms. Lynette Arakawa, HDS

26 Mr. Gary Asato, Kaiser Permanente

27 Mr. Tracy Ban, B&F

28 Ms. Sandra Benevides, Kaiser Permanente

29 Ms. Nani Crowell, HSTA MBC

30 Ms. Alana Deppe-Mariota, Kaiser Permanente

31 Ms. Monica Engle, VSP

32 Ms. Odetta Fujimori, HSTA-Retiree

33 Ms. Venus Gabuyo, MBAH

34 Mr. Melvin Higa, MBAH

Mr. Rick Jackson, MDX Hawaii

Ms. Alice Kotake, HSTA-Retiree

Ms. Diane Maeda, HMSA

Mr. Michael Moss, HMSA

Ms. Karen Muronaka, HSRTA

Ms. Gertrude Nitta, HGEA-R

Ms. Jody Serikawa, C&C HNL

Mr. Rod Tam, HMSA

Mr. George Yamamoto, HGEA-Retirees

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36 I. CALL TO ORDER

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38 The regular meeting of the Board of Trustees was called to order at 9:03 a.m. by
39 Trustee Will Miyake, Chairperson, in Conference Room 1403, Leiopapa A Kamehameha Bldg.,
40 234 S. Beretania Street, Honolulu, Hawaii, on Wednesday, November 19, 2003.

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42 Chairperson Will Miyake introduced and welcomed new Trustee Katherine Thomason from the
43 Department of Accounting and General Services (DAGS).

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45 II. APPROVAL OF MINUTES

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47 Review of minutes for February 11, 2003 and February 19, 2003.

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1 MOTION was made to approve minutes for February 11, 2003 and February 19, 2003 as
2 submitted. (DeCosta/Radcliffe) The motion passed unanimously. Employer Trustees
3 5/Employee-Beneficiary Trustees 3)

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5 III. COMMITTEE REPORTS

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7 A. ADMINISTRATIVE COMMITTEE

8 Trustee Recktenwald reported:

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10 1. Proposal for Insurance Premium from Marsh & McClennan

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12 MOTION was made on the recommendation of the Administrative Committee (subject
13 to review by committee members last night) for the Board to approve the insurance
14 premium from Marsh & McClennan for the higher limit of coverage for \$122,000. The
15 motion passed unanimously. Employer Trustees 5/Employee-Beneficiary Trustees 3)

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17 2. IS Options

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19 After Trustee Recktenwald's report, he inquired if there was additional information from
20 Mr. Fukuhara's meeting with PeopleSoft last night for the Trustees to know before
21 making a decision. Mr. Fukuhara reported that Mark Conry from PeopleSoft was very
22 open about collaborating/cooperating with other agencies and he agreed that it would
23 bring significant cost savings, especially in maintenance fees and resources required to
24 support the product. Mr. Conry, from his view point without checking with their legal
25 representatives, did not see any problem with the consolidation of licenses.

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27 MOTION was made on the recommendation of the Administrative Committee for the
28 Board to approve the short-term and long-term plan or proposal for working with
29 PeopleSoft. The motion passed unanimously. (Employer Trustees 5/Employee-
30 Beneficiary Trustees 3)

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32 3. PC Upgrade

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34 MOTION was made on the recommendation of the Administrative Committee for the
35 Board to approve the expenditure of \$20,040 for the purchase and upgrade of personal
36 computers and adding licenses to enable all employees to use the FileNet imaging
37 system. The motion passed unanimously. (Employer Trustees 5/Employee-Beneficiary
38 Trustees 3)

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40 4. Legislative Proposal

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42 MOTION was made on the recommendation of the Administrative Committee for the
43 Board to: (a) approve the draft letter to the Attorney General asking for clarification of
44 his memorandum to certain of the trustees pertaining to the EUTF's draft legislative
45 proposal, i.e., clarifying that the EUTF board is authorized to complete the contracts,

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obligations, and work of the PEHF and that actions taken that are reasonably necessary or desirable for such completion are for a proper purpose and not for an "improper purpose" as that term is used in section 26-35.5(b), HRS; (b) defer submission of the EUTF's draft legislative proposal pending a response from the Attorney General; and (c) authorize the EUTF staff to conduct the close-out of the PEHF upon receipt of the requested clarification from the Attorney General. After discussion by the Trustees and staff, the motion passed unanimously. (Employer Trustees 5/Employee-Beneficiary Trustees 3)

5. Financial Report

6. Annual Report

Recommendation by the Administrative Committee for the Board to approve the finalizing of the annual report under the following procedures: (a) the Administrator to send the draft annual report (by Microsoft Word file) to the Trustees for review/changes, (b) the Trustees to submit their comments to the Administrator by November 28, 2003, (c) the Administrator to incorporate the Trustees' comments, realizing that some of the comments may be conflicting or, in the Administrator's judgment, not appropriate for inclusion in the report, and (d) the Administrator to provide the final draft to the Trustees for their information by December 5, 2003, targeting to get the annual report to the Legislature by the middle of December. There being no concerns, the Trustees by consensus approved the Administrative Committee's recommendation.

7. Open Enrollment

Trustee Recktenwald reported that the cost for open enrollment will not exceed \$225,000 and is budgeted.

Trustee Nakanelua arrived at 9:30 a.m.

MOTION was made on the recommendation of the Administrative Committee for the Board to approve invitation for bids for printing not to exceed \$100,000, request for proposal for public relations firm to assist in open enrollment presentation information not to exceed \$60,000, and to amend Garner Consulting contract to assist EUTF to update the benefit booklets for actives and retirees not to exceed \$10,000. After discussion by Trustees, the motion passed unanimously. Employer Trustees 5/Employee-Beneficiary Trustees 4)

8. Medicare Part B Reimbursements

Mr. Fukuhara reported that a total of 32,000 retirees, spouses and surviving spouses received Medicare Part B reimbursements.

B. BENEFITS COMMITTEE:

Trustee Radcliffe reported:

1. There is a surplus for HMSA, ups/downs for other carriers with most looking good based on data received thus far.
2. Presentations by carriers regarding proposed dual coverage plans will be held in the Board's executive session.
3. Unions will be going to respective constituents to discuss unbundling of the medical prescription drug plans and adding to the current two-tier system with action to be taken at the January 2004 Board meeting.
4. Items of concern by the public will be addressed at the next Benefits Committee meeting.
5. HMSA and Kaiser Permanente Proposed Benefit Changes
Mr. Garner stated that upon recommendation by Garner Consulting, the Benefits Committee is recommending that the Board approve the HMSA and Kaiser Permanente proposed benefit changes as follows:

HMSA

- a. Apply participating-provider benefit levels to non-participating emergency room and emergency room physician services. The change recognizes the need for members to seek care at the nearest facility in an emergency and would not penalize members with the deductible or lower benefit level.
- b. Recognize occupational therapy services as part of physical therapy benefit. This change coincides with how Medicare covers these services.
- c. Add coverage for chlamydia screening because it is medically appropriate.
- d. Remove the non-participating hospital deductible because of the change in their pricing for non-participating hospital.

Mr. Garner stated that the above benefit changes would be effective January 1, 2004 with no change in premium.

- e. Add coverage for small bowel transplants and the combined small bowel and liver transplants because the procedure is now medically appropriate. This additional coverage to be effective July 1, 2004. There will be a small increase of approximately \$.18 in premiums for this coverage, effective July 1, 2004.

Kaiser Permanente

Increase supplemental charges maximum that is typically called out-of-pocket limit. It is a situation where a Kaiser member pays a percentage of charges typically for out-of-area treatment. The limit is currently \$1,000 and the increase would be to \$1,500 and would be in line with the HMSA out-of-pocket limit.

Trustee Awana left at 9:37 a.m.

Recommendation by the Benefits Committee to approve proposed benefits changes by HMSA and Kaiser Permanente. The motion passed unanimously. Employer Trustees 4/Employee-Beneficiary Trustees 4)

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6. Mr. Garner reported on rate negotiations for retirees and how the indexing for the retirees cap as of July 1, 2005 will be based on the caps in Act 111 or the prior year's actual premiums, whichever is lower. Mr. Garner stated that he needed guidance on the rate negotiations because as consultants they would normally negotiate for the lowest possible rate that is reasonable and if Garner did that it may put the EUTF in a position to go over the cap as of July 1, 2005. Mr. Garner stated that if he is less aggressive in the rate negotiation for July 1, 2004, we are more likely to be able to continue to provide the same level of benefits to retirees without requiring the retirees to pay anything. He added that the consensus by the Benefits Committee is for Garner Consulting to go forward with negotiations on a less aggressive posture in regards to retirees. There were no questions or concerns raised by the Board.

14 V. OTHER REPORTS

15 A. ADMINISTRATOR

16 Mr. Fukuhara reported:

- 17 1. Charter Schools – Update on meeting with Charter Schools.
18 Discussion by Trustees and staff regarding break in service.
19 2. Premium Conversion Plan (PCP).
20 Discussion by Trustees and staff on the EUTF taking the responsibility for
21 administering PCP. Chair Miyake stated that the Administrator would need to get
22 more information on what that would entail, the costs, the effect on staff, etc. The
23 Board needs more information to assess the impact of agreeing to administer PCP.
24 3. Chicago and San Diego Trips – The Administrator reported on the conferences he
25 attended in Chicago and San Diego.
26 4. Shortage letters (1,700) were sent to employees for the months of July, August, and
27 September 2003. Approximately 300 subscribers will be sent cancellation notices
28 because of non-payment.
29 5. Lease/Parking Update – The Administrator reported on the status of the EUTF's lease
30 of office space and parking.
31 6. EUTF Accounting System – Update that the EUTF is requesting to remain on the
32 DAGS system for another year. Trustee Thomason stated that the State is looking at
33 integrating different systems and is asking the departments to remain status quo at this
34 time so as to be able to study the situation. No concerns stated by the Board.
35 7. Phone System (see handout)
36 8. Letter to Editor (see handout)
37 9. Request received from a law firm for documents related to the decision on the tiering of
38 rates; documents were provided.
39 10. Letters from a beneficiary on prescription drugs that requires no action at this time.
40 Trustee Recktenwald disclosed that he has known the beneficiary personally for 15
41 years. Chair Miyake stated that when we finalize the contract with HMSA, we should
42 pay attention to the exclusions in terms of prescription drugs and other kinds of services
43 that are experimental in nature. Mr. Garner was directed to write a letter of support to
44 HMSA.

11. Request to Carriers on Utilization – Update on meeting with carriers held this morning. Mr. Fukuhara informed the Board that: (a) he had requested a utilization report from the carriers; (b) that this type of report is not part of the original list of reports required by the existing carrier contracts; (c) the carriers provision of this type of report - breakdown of utilization by bargaining unit - would have a significant cost impact on the carriers; and (d) the information in this report is not needed now but will be needed later. The utilization report will be done from January 2004 going forward at no additional cost to the EUTF.

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano reported:

O’Gorek Lawsuit – The Plaintiffs’ motion to reconsider the denial of their motion for preliminary injunction was denied by the Court. Citing the EUTF’s draft legislative proposal and statements made at earlier board meetings, the Plaintiffs argued that the EUTF board was not going to go forward with distributing PEHF funds to the applicable PEHF employee-beneficiaries until the Legislature passed the legislative proposal. Mr. Aburano said that he informed the Court that Plaintiffs’ counsel was mistaken and that: (1) the EUTF board had authorized distribution of the PEHF funds to the applicable PEHF employee-beneficiaries; (2) the EUTF board had directed the EUTF staff to come up with a plan for the distribution; and (3) neither work on the plan nor the distribution itself were dependent on the Legislature passing the legislative proposal. In denying the Plaintiffs’ motion, the Court did require that if there was any change in the EUTF board’s decision to distribute the PEHF funds to the applicable PEHF employee-beneficiaries, that the Defendants were to inform Plaintiffs’ counsel in time for Plaintiffs to refile their motion for preliminary injunction.

C. BENEFITS CONSULTANT

Mr. Garner introduced his colleagues Zaven Kazazian and Richard Eusen who will be doing the HIPAA training for the Board and management staff after the Board’s executive session.

Garner Consulting Monthly Bulletin (see handout)

D. CARRIERS

1. Kaiser Update - Coverage for the island of Kauai will be cancelled effective July 1, 2004. Effective July 1, 2004, the medical option on Kauai will be similar to Lanai and Molokai and certain regions of the Big Island.
2. HMSA – A request has been made by HMSA to do a presentation to the Board regarding the Health Pass by Caryn Ireland at the January 2004 board meeting. There being no objections by the Trustees, HMSA’s presentation will be added to the agenda for the January 2004 board meeting.

VI. UNFINISHED BUSINESS: None

VII. NEW BUSINESS: None

VIII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Trustee Watanabe put together a binder from the IFEBP conference which is available in her office for anyone to review. Chair Miyake stated that the conference was excellent and that he ordered a CD containing all the handouts from the conference that will also be available for anyone's review.

IX. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next board meeting is scheduled for January 21, 2003, 9:00 a.m., City Financial Tower, room 1935.

MOTION was made to go into Executive Session to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities and liabilities regarding: (a) evaluation of proposals for dual coverage medical, prescription drug, and chiropractic plans effective mid-year; (b) negotiation of the terms and conditions for contracts for dual coverage plans and other matters pertaining to effectuating such contracts; (c) matters arising from or related to the recently cancelled RFP No. 03-002; and (d) the O'Gorek litigation. Decision making as to the foregoing matters. (Watanabe/DeCosta) The motion passed unanimously. (Employer trustees 4/Employee-Beneficiary trustees 4)

MOTION was made to go out of Executive Session. (Watanabe/Lewis) The motion passed unanimously. (Employer trustee 5/Employee-Beneficiary trustees 5)

Executive Session was adjourned at 11:42 p.m.

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Watanabe/Lewis) The motion passed unanimously. (Employer trustees 5/Employee-Beneficiary trustees 5)

The meeting was adjourned at 11:42 p.m.

Respectfully submitted,

Bob Awana, Secretary-Treasurer

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- 2 1. Minutes for 2/11/03. (7 Pages)
- 3 2. Minutes for 2/19/03. (7 Pages)
- 4 3. Telephone Statistics as of 11/10/03. (1 Page)
- 5 4. Email Statistics dated 11/13/03. (1 Page)
- 6 5. Letter to the Editor dated 11/8/03. (2 Pages)
- 7 6. Garner Consulting Bulletin for 10/2003. (2 Pages)
- 8 7. Letter of Resignation from Audrey Hidano dated 10/22/03. (1 Page)
- 9 8. Letter of Appointment for Katherine Thomason dated 11/3/03. (2 Pages)
- 10 9. Approved Rules Committee Minutes of 4/23/03. (2 Pages)
- 11 10. Approved Rules Committee Minutes of 5/29/03. (2 Pages)
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DRAFT